

THE FOREST INDUSTRY SNAPSHOT: Ministry of Forests, Lands and Natural Resource Operations

November 2011



A Selection of Monthly Economic Statistics



Points of interest:

Trade Mission to Asia

In November, Premier Christy Clark led B.C.'s largest-ever trade mission to Asia, to expand on B.C.'s recent success developing the lumber market in China. Forests, Lands and Natural Resource Operations Minister **Steve Thomson** led a forestry trade mission of 40 delegates to China and 20 delegates to Japan. In China, delegates noted the marked increase in wood frame construction, and sold 1.46 million m³ of lumber to Chinese companies. In Japan, the province, federal government and forest industry announced \$4.5 million towards building a community facility with B.C. lumber in the area hardest hit by the tsunami in March.

Tembec to Sell Mills to Canfor

Tembec announced the sale of its Elko and Canal Flats sawmills in B.C. (with capacity of 420 million bd ft), along with 1.1 million m³ of allowable annual cut for \$60 million to **Canfor**. The transaction, subject to regulatory approvals, is expected to close in late Q1 2012. As part of the transaction, Tembec's NBSK mill in B.C. will source its fibre from Canfor under a long-term supply agreement. Analysts believe the sale is good for both companies: It means a stronger fibre position for Canfor in B.C. with its North America lumber capacity increasing by 9% to 5.3 billion bd ft; it also gives Tembec greater flexibility to fund improvement projects – Tembec is in the early days of a large capital expansion plan to improve margins at its Temiscaming Dissolving Pulp mill (source: *RBC Capital Markets*).

For further information please contact:

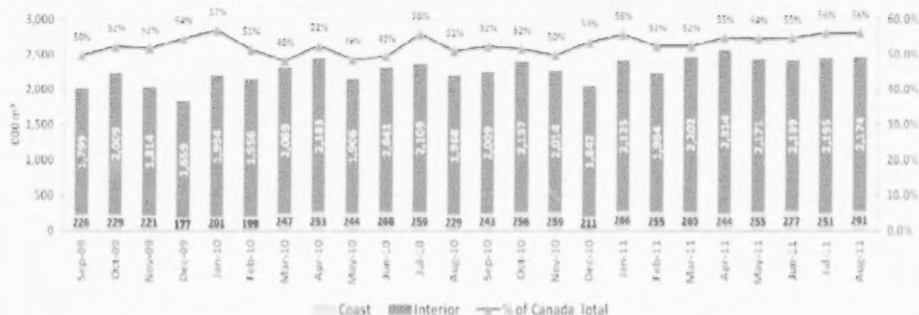
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SOFTWOOD LUMBER MARKET

U.S. Housing Starts* and SPF 2x4 Prices



B.C. Softwood Lumber Production and Share of Canada Total



Data sources: *Madison's*, *US Census Bureau* and *Statistics Canada*. * privately-owned housing starts, seasonally adjusted annual rate (SAAR).

- **U.S. privately-owned housing starts** in October were at a seasonally adjusted annual rate of 628,000. This is 0.3% below the revised September rate, and is 16.5% above the October 2010 rate. **Sales of new homes** including new and existing homes in the U.S. were at a seasonally adjusted annual rate of 313,000 in September 2011, up 5.7% M/M and down 0.9% Y/Y. U.S. seasonally adjusted unemployment rate was 9.0% in October 2010, down from 9.7% one year ago. (from *U.S. Census Bureau* and *U.S. Bureau of Labour Statistics*).
- **SPF 2x4 price declined to US\$235** (\$230) in October 2011, down 7.8% M/M and down 4.8% Y/Y. The Canadian dollar averaged \$0.9795 per US\$ in October 2011.
- In August 2011, **B.C. softwood lumber production** totalled 2.45 million m³, up 0.8% M/M and up 11.3% Y/Y. 88.2% of the production was from the Interior.
- In September 2011, **B.C. softwood lumber exports value** totalled \$337 million, up 13.6% Y/Y. **B.C. softwood lumber exports volume** totalled 2.05 million m³, up 22.4% Y/Y. The top three destinations for softwood lumber exports in September 2011 were: U.S. (value: 41.8%; volume: 48.6%), China (value: 29.8%; volume: 32.9%), and Japan (value: 16.2%; volume: 10.6%).

Common Abbreviations:

\$ – Canadian dollars unless noted as US\$
M/M – % change from the previous to current month

Y/Y – % change from the same month in the previous year to the current year
YTD – year to date
China – refers to China, including Hong Kong

HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue



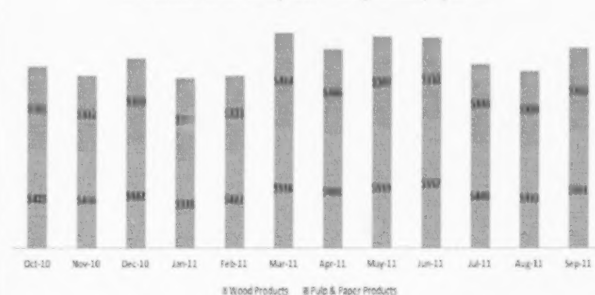
Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations

COAST harvest volume for all land (including Crown, private and federal) totalled 1.72 million m³ in August 2011, up 143.4% Y/Y. Crown land harvest volume totalled 1.38 million m³, up 133.7% Y/Y. **Stumpage revenue** collected was \$4.94 million in August 2011, up 108.9% Y/Y.

INTERIOR harvest volume for all land (including Crown, private and federal) totalled 4.90 million m³ in August 2011, up 32.1% Y/Y. Crown land harvest volume totalled 4.79 million m³, up 33.0% Y/Y. **Stumpage revenue** collected was \$17.63 million in August 2011, up 67.4% Y/Y.

EXPORTS

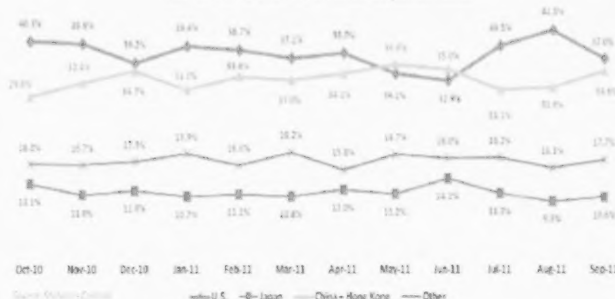
B.C. Forest Products Exports Value (\$million) by Sector



B.C. forest product exports totalled \$864 million in September 2011, up 12.6% M/M, up 16.4% Y/Y, and up 10.9% YTD from 2010:

- **Wood products exports** totalled \$501 million in September, up 15.5% M/M, up 19.1% Y/Y, and up 12.0% YTD from 2010; and
- **Pulp & paper products exports** totalled \$363 million in September, up 8.9% M/M, up 12.7% Y/Y, and up 9.5% YTD from 2010.
- **Exports value shares by product** in September 2011: Softwood Lumber (39.0%), Logs (6.4%), Other Wood Products (12.6%), Pulp (30.7%), and Other Pulp & Paper Products (11.3%).

Share of B.C. Forest Products Exports Value



In September 2011, **U.S. was the largest destination market** for B.C. forest product exports value with a share of 37.0%, while China accounted for 34.6%, Japan accounted for 10.6% and other destinations accounted for 17.7%.

- **Exports to U.S.** totalled \$320 million, down 1.8% M/M, up 1.3% Y/Y and down 12.2% YTD from 2010.
- **Exports to China** totalled \$299 million, up 23.5% M/M, up 48.4% Y/Y and up 74.4% YTD from 2010.
- **Exports to Japan** totalled \$92 million, up 21.7% M/M, down 6.0% Y/Y and down 0.2% YTD from 2010.

DATA SUMMARY

Monthly Economic Statistics - November 2011

		Latest Month	Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices (US\$/000 bd ft)									
SPF 2x4	Oct 11	\$235	\$254	-7.8%	\$246	-4.8%	\$258	\$250	3.2%
Random Lengths Lumber Composite	Oct 11	\$260	\$262	-0.9%	\$254	2.4%	\$274	\$284	-3.2%
SPF 2x10	Oct 11	\$263	\$281	-6.6%	\$319	-17.5%	\$293	\$316	-7.4%
SPF Stud	Oct 11	\$233	\$251	-7.4%	\$220	5.7%	\$255	\$253	0.8%
Cedar 2x4	Oct 11	\$630	\$630	0.0%	\$650	-3.1%	\$637	\$650	-2.0%
Hemlock Squares	Oct 11	\$825	\$825	0.0%	\$780	5.8%	\$811	\$782	3.7%
Panel Prices (US\$/000 sq ft)									
Plywood	Oct 11	\$328	\$326	0.6%	\$328	-0.1%	\$308	\$340	-9.2%
OSB	Oct 11	\$199	\$210	-5.4%	\$209	-4.9%	\$203	\$260	-22.1%
Pulp & Paper Prices (US\$/tonne)									
NBSK Pulp	Oct 11	\$930	\$969	-4.1%	\$968	-3.9%	\$979	\$925	5.8%
Newsprint (U.S. Eastcoast)	Oct 11	\$624	\$623	0.2%	\$621	0.5%	\$625	\$574	9.0%
\$/US\$ Exchange Rate									
	Oct 11	0.9795	1.0012	-2.2%	1.0180	-3.8%	0.9780	1.0341	-5.4%
Housing Starts (000 units)									
U.S. (Seasonally Adjusted Annual Rates)	Oct 11	628	630	-0.3%	539	16.5%	592	594	-0.3%
Canada	Oct 11	208	209	-0.6%	172	20.6%	193	193	-0.1%
Japan (Wood-based)	Sep 11	37	47	-21.8%	41	-10.8%	346	334	3.6%
B.C. Lumber Production (000 m³)									
Coast	Aug 11	2,465	2,446	0.8%	2,215	11.3%	19,427	17,979	8.1%
Interior	Aug 11	291	251	15.7%	229	27.0%	2,124	1,899	11.9%
	Aug 11	2,174	2,195	-0.9%	1,968	10.4%	17,303	16,226	6.6%
B.C. Market Pulp Shipments (000 tonne)									
	Sep 11	433	343	26.2%	361	19.9%	3,434	3,113	10.3%
B.C. Forest Products Exports (million \$)									
	Sep 11	\$864	\$767	12.8%	\$742	16.4%	\$7,524	\$6,787	10.9%
Wood Products	Sep 11	\$501	\$433	15.5%	\$420	19.1%	\$4,269	\$3,813	12.0%
Pulp & Paper products	Sep 11	\$363	\$334	8.9%	\$322	12.7%	\$3,255	\$2,974	9.5%
Shares of B.C. Forest Products Exports Value (%)									
U.S.	Sep 11	37.0%	42.5%	-12.8%	42.5%	-12.9%	37.5%	47.3%	-20.8%
China + Hong Kong	Sep 11	34.6%	31.6%	9.7%	27.2%	27.6%	33.4%	21.3%	57.3%
Japan	Sep 11	10.6%	9.8%	8.0%	13.1%	-19.2%	11.3%	12.6%	-10.0%
Other	Sep 11	17.7%	16.1%	10.0%	17.2%	-3.1%	17.7%	18.8%	-5.8%
Market Shares of U.S. Lumber Consumption (%)									
B.C.	Aug 11	13.8%	14.4%	-4.2%	14.6%	-5.5%	13.6%	16.9%	-19.4%
Rest of Canada	Aug 11	11.3%	12.2%	-7.3%	10.8%	5.2%	11.6%	10.9%	6.7%
U.S.	Aug 11	74.8%	73.3%	2.0%	74.6%	0.3%	74.7%	72.2%	3.6%
3rd Country	Aug 11	1.3%	0.9%	40.0%	1.4%	-9.9%	1.3%	1.4%	-2.4%
B.C. Crown Land Scaled Volume** (000 m³)									
Coast	Aug 11	6,176	5,065	21.9%	4,195	47.2%	38,908	35,415	9.6%
Interior	Aug 11	1,383	1,455	-4.9%	592	133.7%	9,214	7,881	16.9%
	Aug 11	4,792	3,610	32.7%	3,603	33.0%	29,694	27,534	7.8%
B.C. Stumpage (million \$)									
Coast	Aug 11	\$22.6	\$17.8	26.8%	\$12.9	75.0%	\$148.4	\$142.2	4.4%
Interior	Aug 11	\$4.9	\$5.4	-8.7%	\$2.4	108.9%	\$39.6	\$38.0	4.1%
	Aug 11	\$17.6	\$12.4	42.5%	\$10.5	67.4%	\$108.8	\$104.2	4.4%
B.C. Forestry Employment (LFS) (000 jobs)									
Forestry & Logging	Oct 11	55.1	55.2	-0.2%	50.3	9.5%	53.7	55.5	-3.3%
Wood Products	Oct 11	15.2	16.1	-5.6%	12.9	17.3%	13.8	17.3	-20.4%
Paper Products	Oct 11	30.5	30.8	-1.0%	29.8	2.3%	30.4	28.4	7.1%
	Oct 11	9.4	8.3	13.3%	7.6	23.7%	9.5	9.8	-3.2%
B.C. Log Exports									
Volume (000 m³)	Sep 11	488	358	36.1%	279	75.1%	4,155	2,838	46.4%
Value (million \$)	Sep 11	\$54.8	\$39.7	38.3%	\$25.1	118.8%	\$441.8	\$280.2	57.7%

* based on calendar year, change % from the same year-to-date period of the previous year to the year-to-date of current year.

** Preliminary data and subject to change.